



CHAPTER-2

PRINCIPLES OF MANAGEMENT

CONCEPT SUMMARY

1. **MEANING:-** The principles are broad statement of fundamental truth which provide guide lines for management decision and action. These guidelines are derived through experimentation and observation
2. **NATURE OF PRINCIPLES OF MANAGEMENT**
 - i) Universal application- can be applied to all kind of organizations, irrespective of their size and nature.
 - ii) General guidelines- the formulated guidelines to action which need to be adjusted and used as per the demands of the situation.
 - iii) Formed by practice and experimentation- derived through experimentation and observation.
 - iv) Flexible- principles are not rigid like science but are modified according to the business environment needs.
 - v) Behavioral- the principles aim to influence the unpredictable, complex and dynamic human behavior.
 - vi) Causes and effect relation- they aid in predicting the outcome of management actions.
 - vii)Contingent- the management principles are dependent upon the prevailing conditions/situations at that particular time hence amended accordingly.
3. **SIGNIFICANCE/IMPORTANCE OF MANAGEMENT PRINCIPLES**
 - i) **Provides managers with useful insights into reality-** through improved knowledge, ability, understanding and improved guidance to the managers.
 - ii) **Optimum utilization of resources-** and effective administration through coordinated use of physical, financial and human resources.
 - iii) **Scientific decision-** they lend to be more realistic, thoughtful, justifiable, and free from personal bias.
 - iv) **Meet the changing environmental requirements-** by providing effective and dynamic leadership in implementing changes.
 - v) **Fulfills social responsibility-** guides the manager in fulfilling the social responsibility.



vi) **Management training, education and research** – the principles help in increasing knowledge which is used as the basis for management training and research.

4. FAYOL'S PRINCIPLES OF MANAGEMENT

- i) **Division of labour** – work could be divided into small specialized task and performed by a trained specialist
- ii) **Authority and responsibility** – there must be a right balance between authority (right to give orders) and responsibility (obligation to perform the assigned task).
- iii) **Discipline**- obedience to organization rules and employment agreement.
- iv) **Unity of command** – receive orders from one boss.
- v) **Unity of direction** – all the units of the organization should aim and mover towards achieving the organizational interest.
- vi) **Subordination of individual interest to general interest** – the organization interest to be prioritized over individual interest.
- vii) **Remuneration** – pay should be fair and satisfying to both employees and the organization.
- viii) **Centralization and decentralization** – there should be a proper balance between centralization (concentration of decision making powers with top management) and decentralization (dispersal of decision making power among more than one person).
- ix) **Scalar chain** – orders of communication should pass from top to bottom and follow the official line of command.
- x) **Orders** – A place for everything/everyone and every one in its place
- xi) **Equality** – kindness, empathy and justice in the behaviour of manager towards workers.
- xii) **Stability of tenure** - frequent displacement of employee from their position should be avoided. They should be given sufficient time to show their results
- xiii) **Initiative** - employees to be encouraged to develop and carry out their improvement plans
- xiv) **Espirit de corps** – need for team work, spirit and harmony.

5. SCIENTIFIC MANAGEMENT

Meaning: conduct of business activities according to standardized tools, methods and trained personal so as to have increased output through effective and optimum utilization of resources. Hence it stresses that there is always one best way of doing things.

PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Science not rule of thumb-

There should be scientific study and analysis of each element of job rather than adopting old rule of the thumb approach or a hit and Miss Methods. Encourage "thinking before doing".

2. Harmony not discord-

There should be complete harmony and proper understanding between management and workers in achieving the organization goals.

3. Cooperation not individualism-

Taylor emphasized on the importance of cooperative group effort between the management and workers in achieving the organization's goals and not individualism.

4. Development of workers to their greatest efficiency and prosperity:

The management should scientifically select the workers; assign job as per their physical, mental and intellectual capability and potential; and train them as per the job requirement.

Techniques of scientific management

(a)Functional foremanship

- Supervision is to be divided into several specialized functions and each function to be entrusted to a special foreman.
- Each worker will have to take orders from eight foremen in the related process of function of production
- Stress on separating planning function from executive function.

(b)Standardization and simplification of work

- Process of setting standards for every business activity to maximize output.

- Simplification is eliminating unnecessary varieties, sizes and grades of product manufactured in the organization.

(c) Method study

- Making a thorough analysis of various motions being performed by a worker while doing a particular task.
- Identifying and determining the ideal productive movement.
- Eliminate the unproductive movement and equipment's

(d) Motion study

- Making a thorough analysis of various motions being performed by a worker while doing a particular task.
- Identifying and determining the ideal productive movement.
- Eliminate the unproductive movements and equipment's.

(e) Time study

- It is the technique used to determine the standard time taken by the workman with reasonable skill and ability to perform a particular task.
- Here the job is divided into series of elements and the time required to complete each element idealistically is recorded using a stop watch.

(f) Fatigue study

- Determines the amount and frequency of rest intervals required in completing a task.

(g) Differential piece wage system

- Evolve a system wherein the efficient and inefficient workers are paid at different rates, as financial incentives act as motivators.
- First a standard task is established with the aid of time and motion study, then two rates are established. Higher when standard outputs is produced and lower when the standard is not met

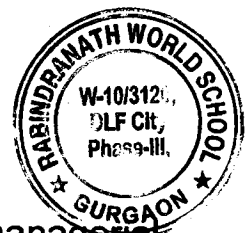
VERY SHORT ANSWERS

Q1. What is meant by 'principles of management'?

Principle of management is broad and general guidelines for managerial decision making and behavior of managers.

Q.2 How have the management principles been derived?

Through observations and experimentation of experiences and collective wisdom of managers.



Q.3. Give any one difference between principle and technique.

Principles are guidelines to take decisions whereas techniques are methods to take action.

Q.4. State how the management principles are flexible?

Management principles are flexible because these can be modified according to the demand/needs of the situation.

Q.5. Why it is said that management principles are universal in application.

Management principles are said to be universal because these are applicable to all kinds of organizations, irrespective of the type or size.

Q.6 What is meant by 'contingency' in case of management principles?

Principles of management are contingent as their application is dependent upon the prevailing situation at a particular point of time.

Q.7. The principles of management are different from those of pure science .state any one difference.

Management principles are different from those of pure science because.

1. Management principles are not as rigid as principles of pure science.
2. Management principles deals with human behavior and cannot be tested in laboratories like principles of pure science.
3. Principle of management is general guidelines whereas the principles of pure science are specific.

Q.8. The principles of management aren't rigid and can be modified when the situation demands .which nature of principles is being discussed here?

ANS: Flexibility.

Q.9. Define scientific management?

Ans. Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way.

Q.10. Factory owners or managers relied on personal judgment in attending to the problems they confronted in the course of managing their work. Which principle of Taylor is it referring to?

Ans. Rule of thumb.

Q.11. What is required to ensure harmony among workers and managers?

Ans. Mental revolution.

Q.12. Why does Taylor insist on having specialized foremen.

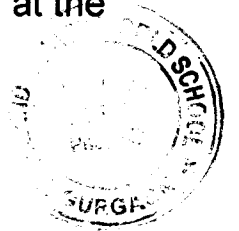
Ans. Because all required qualities (intelligence, education, tact, etc) cannot be there in one person.

Q.13 Why does Fayol introduced the concept of 'gang plank' in the principle of scalar-chain.

Ans. The concept of gang plank was developed to avoid delay in communication in case of emergency between two peoples working at the same level but in different departments.

Q.14. Which principle does functional foremanship violate?

Ans. Unity of command.



Q.15. Which technique of scientific management is an extension of principle of division of work and specialization on the shop floor.?

Ans. Functional foremanship.

Q.16. Enlist any two objectives of standardization.

Ans. 1. To establish inter changeability of manufactured parts or products.

2. To establish standards of performance for men and machines.

Q.17. What do you mean by the term simplification?

Ans. It means eliminating needless diversity of products.

Q.18 Which technique of scientific management helps in finding one best method doing the job?

Ans. Method study.

Q.19. what is the aim of doing motion study?

Ans. The aim of doing motion study is to eliminate unnecessary movements so as to ensure timely completion of work.

Q.20. State the objectives of 'fatigue study'

Ans. The main objective of fatigue study is to determine the amount and frequency of rest intervals in completing a task.

Q.21. Name the technique of Taylor which is the strongest motivation for a worker to reach standard performance.

Ans. Differential piece wage system.

SHORT ANSWERS.

Q.1. Explain the how principles of management:

- i) Help the manager in taking scientific decision, and**
- ii) Provide the managers with useful insight into real world situation.**

Ans.

- Principles of management help in taking scientific decisions because the decisions based on principals are free from bias and are based on the objective assessment of the situation.
- Principals of management provide useful insight into reality by enabling managers to learn from past mistakes and conserve time by solving recurring problems quickly.

Q.2. Explain how principles of management:

- i) Help in optimum utilization of resources and effective administration and**
- ii) Help in thoughtful decision making.**

Ans.

i)

- Principles of management help in optimum utilization of resource by equipping managers to foresee the cause and effect relationships there by reducing the wastage associated with trial and error approach.

- Principles of management help in effective administration by limiting the boundaries of managerial discretion so that decisions are free from personal prejudices.

ii)

- Principles of management help in thoughtful decision making because the decision based on principles are free from bias and are based on the objective assessment of the situation.

Q.3. Name and explain the principle of management according to which a manager should replace 'we' in all his conversations with the workers.

OR

State the principles of 'ESPRIT DE CORPS'. Give two positive effects of the principle of 'esprit de corps'.

Ans.

- **ESPRIT DE CORPS**
- Esprit de corps refer to team spirit i.e. harmony in group and mutual understanding among workers.
- It helps to develop an atmosphere of mutual trust and understanding. It also concentrates on the famous saying viz 'union is strength'.

In case of sports, all team members and in case of armed forces , all personnel play / work for their respective teams .They should not have a thinking that if they win it is be the Captain /Commander alone who will be rewarded . They must work for the team. Similar feelings should be developed among all members of the organization so that the desired goals of the organization can be achieved with greater effectiveness and efficiency.

LONG QUESTION/ANSWERS.

Q.1. Explain `differential piece rate and "functional foremanship" as techniques of scientific management.

- Differential piece wage system is a technique which differentiates between efficient and less efficient workers. It rewards the efficient workers and motivates the less efficient ones to improve their efficiency.

- In this, plan there are two piece rates- one for those workers who produced the standard output or more, and the other for those who produces less than standard output e.g.

Standard output (per workers 1 day) = 10 units

Wage rate I = Rs 2 per unit (for output < 10 units)

Wage rate II = Rs 3 per unit (for output \geq 10 units)

<i>PARTICULARS</i>	<i>WORKER A</i>	<i>WORKER B</i>
ACTUAL OUTPUT	9 UNITS	11 UNITS
TOTAL WAGES(RS)	$9 \times 2 = \text{RS } 18$	$11 \times 3 = \text{RS } 33$

Difference in units produced = 2

Difference in wages = 15

Functional foremanship

- Functional foremanship is a technique which aims to improve the quality of supervision at shop floor by putting a worker under 8 specialist foremen.
- In this technique , planning is separated from execution .Taylor suggested four foremen for planning ,namely, route clerk, instruction card clerk , time and cost clerk and disciplinarian and four foremen for execution , namely ,gang boss, speed boss, repair boss and inspector.

Q.2. Explain any two principles of Taylor's scientific management.

1. Science, not rule of thumb advocates that there is only one best method to maximize efficiency and this method should substitute 'rule of thumb' throughout the organization.
2. Harmony, not discord advocates that there should be completely harmony between management and the workers

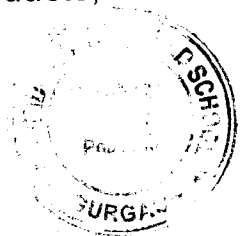
3. Co-operation not, individualism states that competition should be replaced by co-operation.

Q.3.(i) Name and explain the principles of management which requires judicious application of penalties by management.

(ii) Name and explain the techniques of scientific management which helps in establishing interchangeability of manufactured parts and products.

(i) the principle of management is 'discipline'. Discipline is the obedience to organizational rules and employment agreement which are necessary for the working of the organization. Discipline requires good superiors at all levels, clear and fair agreements and judicious application of penalties.

(ii) The technique is 'Standardization'. It refers to the process of setting standards for every business activity process, raw material, time, products, machinery, methods or working conditions. Etc.



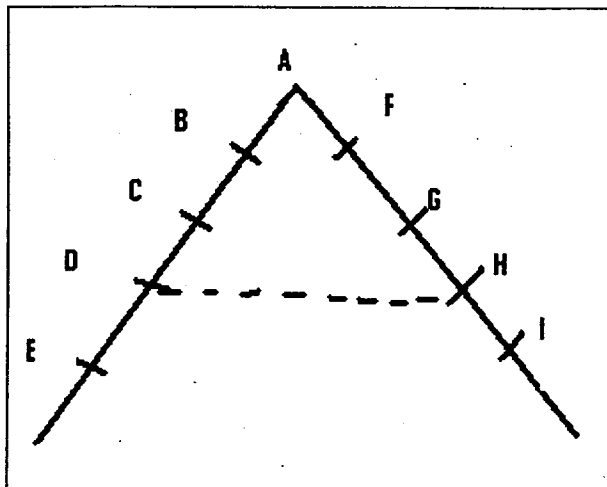
Q.4. Explain the 'principle of scalar chain' with an example.

- In an organization the formal lines of authority from highest to lowest level of all superiors and subordinates are known as scalar chain.
- The principle of scalar chain suggests that there should be clear line of authority from top to bottom, linking superiors and subordinates at all levels.
- The scalar chain serves as a chain of command as well as communication. In normal circumstances, the formal communication is required to be made by following this chain.

Example: - The above figure shows the scalar chain linking managers at lower levels with the top management. If D has to communicate with H, the message should ordinarily move up through C and B to A, and then down from A to F, F and G and then G to H.

Above mentioned chain has following disadvantages:

1. It causes delay in reaching communication to the required level.
2. It creates the possibility of distortion of information flows as various levels are involved.



Scalar chain

HOTS

Q5 Fayol insists that good sense and experience are needed to ensure fairness to all employees who should be treated as fairly as possible. Identify the principle of management?

Ans. The principle of 'equity'.

Q6. Aditi, a manager, expects her subordinates to adapt to the new environments and working conditions without giving them time to settle down. Which principle of management is being overlooked?

Ans. Stability of personnel.

Q7. Following this principle of management will minimize the need for using penalties, but not following it may result in a loss of coordination. Identify the principle.

Ans. Espirit de corps.

VALUE BASED QUESTIONS.

Q.1. An organization employs more male workers than female workers because they can work overtime in case of excess work. In this organization, Mandy and Varsha are working at the same post but being male employees, Mandy has more rights than Varsha. Which values are being affected here?

- Gender biasness
- Conservatism
- Effect of male dominating society.
- Inequality of rights for same work.

Q.2. An organization proposes that the use of CFLs and leds which consumes less electricity than normal bulbs for its lighting arrangements .which value is being attained by the organization.

- Save electricity
- Reduction in cost.
- Protection of environment.

CHAPTER -3

BUSINESS ENVIRONMENT

CONCEPT SUMMARY

1. MEANING:

It is the sum total of all individuals or institutions comprising of consumers, competitors, suppliers government, courts, media and also the forces like economic, social, political, legal and technological that are outside the ambit and control of business enterprise but that which can affect its performance.

2. FEATURES OF BUSINESS ENVIRONMENT:

(i) constitutes totally of external forces – it comprises of the sum total of all forces that are external to the business firm which it must deal with.

(ii) Specific and general forces- the forces present outside can be divided into two parts specific – these affect the firms of an industry separately e.g customers, suppliers, competitive firms etc.

General – these forces affect all the firms of an industry equally e.g social, political.